

## Message Text

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FM USINT DAMASCUS

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BEIRUT FOR RTDO LEFEAVER

E.O. 11652: N/A

TAGS: BEXP, SY

SUBJ: DAMASCUS US INTERNATIONAL FAIR

1. SUMMARY: TO ASSIST YOU IN YOUR PLANNING FOR COMMERCIAL PRESENCE, ON JUNE 8 DURING MEETING BETWEEN DPO GNEHM AND FAIR DIRECTOR GENERAL HAFEZ, CURRENT STATUS OF 51 AMERICAN FIRMS, WHICH HAVE ALREADY APPLIED TO PARTICIPATE IN FAIR, AROSE. HAFEZ MADE TWO POINTS OF INTEREST. NORMALLY EACH GOVERNMENT IS RESPONSIBLE FOR EXHIBITS OF ITS NATIONAL FIRMS. SECONDLY, NOW THAT USG IS PARTICIPATING OFFICIALLY, IT IS RESPONSIBILITY OF USG TO CONTROL USE OF QUOTA FOR DUTY-FREE IMPORTATION OF GOODS BY ALL AMERICAN FIRMS INCLUDING 51. QUITE OBVIOUSLY WE WILL BE MORE INVOLVED WITH THESE 51 CONSUMER-TYPE U.S. FIRMS THAN WE HAD PREVIOUSLY EXPECTED. END SUMMARY.

2. ON FIRST POINT HAFEZ ASKED IF WE PLANNED TO GIVE SPACE FOR 51 AMERICAN FIRMS WHICH HAVE ALREADY APPLIED TO PARTICIPATE. GNEHM RELATED CONVERSATION WITH MINISTER IMADI (DAMASCUS 1075) AND INDICATED OUR DECISION WAS TO LEAVE CONSUMER COMPANIES AS THEY WERE AND TO TRY TO ENCOURAGE SOME ADDITIONAL COMPANIES MORE DIRECTLY INVOLVED

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IN DEVELOPMENT RELATED ACTIVITIES TO PARTICIPATE IN USG

PAVILLION. HAFEZ AGREED INDICATING THAT SINCE COMPANIES (AGENTS) ONLY INTERESTED IN SALES OF PRODUCTS IMPORTED DUTY-FREE, HE SAW NO REASON FOR THEM TO PARTICIPATE. GNEHM POINTED OUT THAT WHILE USG HAD SOME PREFERENCE FOR THEM IN US PAVILLION, WE STILL SUPPORTED PARTICIPATION OF OTHER AMERICAN COMPANIES REGARDLESS OF THEIR PRODUCTS. AFTER FURTHER CONVERSATION, IT BECAME CLEAR THAT FAIR NEEDS SPACE ELSEWHERE AND IF WE DO NOT CARE ENOUGH TO INCLUDE THEM IN OUR PAVILLION, THEY DO NOT SEE ANY PARTICULAR REASON TO DO ANYTHING FOR THEM EITHER. WE MAY WELL HAVE TO CONSIDER ARRANGING SOME SPACE (PREFERABLY OUTSIDE) FOR THE AMERICAN FIRMS WHO HAVE ALREADY ASKED TO PARTICIPATE.

3. HAVING SAID THIS THERE ANOTHER REASON WHY WE NOW HAVE TO CONCERN OURSELVES WITH THESE 51 COMPANIES- THE DUTY-FREE IMPORT QUOTA. HERE IS BEST DESCRIPTION WE HAVE BEEN ABLE TO GET OF THE QUOTA PROBLEM.

4. EACH COUNTRY WHICH DECIDES TO PARTICIPATE RECEIVES A QUOTA TO IMPORT DUTY FREE GOODS FOR DISPLAY AND SALE IN COUNTRY'S PAVILLION. THIS QUOTA IS BASED ON AMOUNT OF SPACE RESERVED FOR NATIONAL EXHIBIT. THIS QUOTA, IN ADDITION, PROVIDES AN INTERESTING LOOPHOLE IN THE SYRIAN CUSTOMS LAW IN THAT THE COUNTRY AND/OR COMPANIES MAY IMPORT GOODS NORMALLY PROHIBITED FROM IMPORTATION, SUCH AS HOUSEHOLD APPLIANCES, COSMETICS AND THOSE FOOD PRODUCTS WHICH COMPETE WITH SYRIAN FOOD PROCESSING PLANTS. AS A RESULT SYRIAN AGENTS PARTICIPATE IN THE FAIR ON BEHALF OF AMERICAN FIRMS TO REAP LIMITED PROFITS FROM SALE OF SUCH IMPORTED GOODS. IN THOSE CASES WHERE THERE IS NO NATIONAL PAVILLION- WHEN THERE NO OFFICIAL GOVERNMENT PARTICIPTION - BUSINESS FIRMS (OR AGENT) OF A GIVEN NATIONALITY ARE PERMITTED TO COMBINE THEIR PRIVATE PARTICIPTION TO OBTAIN DUTY-FREE QUOTA.

5. AGENTS OF AMERICAN FIRMS HAVE SINCE 1965 GROUPED THEMSELVES TOGETHER IN THE INTERNATIONAL PAVILLION TO OBTAIN DUTY-FREE QUOTA. THIS YEAR TO DATE 51 FIRMS HAVE SO APPLIED FOR THIS YEAR. WITH THE USG DECISION TO PARTICIPATE THESE FIRMS LOSE THE QUOTA SINCE IT IS NOW GIVEN TO USG. THIS LIMITED OFFICIAL USE

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HAS, IN FACT, ALREADY LED TO SEVERAL LOCAL AGENTS CALLING AT USINT TO APPLY FOR PERCENTAGE OF USG QUOTA. WE CAN EXPECT TO HEAR FROM ALL 51 FIRMS AS WELL AS OTHERS WHO ARE BOUND TO LEARN VERY SOON THAT USG IS PARTICIPATING. IN FACT OUR PARTICIPATION IS A WINDFALL TO THESE FIRMS AS PREVIOUSLY THEY WERE ENTITLED TO ONLY A 90,000 SYRIAN POUND (L. .) (\$24,658) QUOTA FOR ALL. WITH OUR OFFICIAL PARTICIPATION- AN INCREASE IN EXHIBIT SPACE - THE

QUOTA IS NOW 120,000 L.S. (\$32,877).

6. THE OBVIOUS PROBLEM IS HOW DOES USG ACT NOW THAT WE HAVE BEEN PLACED IN THE MIDDLE. OUR PREFERENCE IS TO FOLLOW SAME PROCEDURE THAT COMPANIES WOULD HAVE FOLLOWED HAD WE NOT BEEN PARTICIPATING OFFICIALLY. UNDER THIS ARRANGEMENT THE COMPANIES ELECT A CHAIRMAN WHO SITS DOWN WITH ALL LOCAL AGENTS AND PRO-RATES NATIONAL QUOTA AMONG VARIOUS COMPANIES. IN THIS WAY FINAL DECISION IS TOTALLY IN THE HANDS OF BUSINESS COMMUNITY. ALL OF THIS ASSUMES, OF COURSE, THAT USG ITSELF HAS NO REASON TO USE QUOTA ITSELF. AS WE UNDERSTANT IT, ITEMS WHICH WE ARE IMPORTING FOR PAVILLION ARE TO BE EXPORTED FROM SYRIA AND THUS ENTER DUTY-FREE.

7. THE OTHER OBVIOUS OPTION IS ACCEPT THAT QUOTA BELONGS TO USG AND MAKE NO ATTEMPT TO TRY TO APPORTION IT. COMPANIES MAY PARTICIPATE IN FAIR EVEN WITHOUT QUOTA; BUT THERE LITTLE LIKELIHOOD THEY WILL DO SO AS PRIMARY PURPOSE IS TO IMPORT DUTY-FREE GOODS FOR SALE. THE OBVIOUS DRAWBACK TO THIS COURSE OF ACTION IS THAT OTHER NATIONAL PAVILLIONS DO GIVE THEIR QUOTAS OUT TO THEIR NATIONAL FIRMS. AND IN FINAL ANALYSIS WE ARE HERE TO PROMOTE REPUTABLE AMERICAN BUSINESSES REGARDLESS OF THEIR PRODUCTS.

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